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## United Arab Emirates

### Exporter Guide

## Annual for Bahrain, Kuwait, Oman, Qatar and the UAE

## 2004

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**Report Highlights:** U.S. food and agricultural exports to the GCC-5 countries mentioned above increased 8 percent in 2003 to a record \$446 million, FOB basis. The UAE is by far the largest of these markets accounting for 60 percent of the import market, followed by Kuwait with a 30 percent market share. Consumer ready products account for about 60 percent of U.S. food and agricultural product exports to these countries, where the import duty is a flat 5 percent on practically all processed foods and zero on fresh produce. U.S. food exports to Kuwait increased dramatically in 2003 to cater to the needs of the U.S. forces in Kuwait and neighboring Iraq, and due to re-exports to Iraq.

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Dubai [TC1]  
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## SECTION I. MARKET OVERVIEW

The Gulf Cooperation Council-5 (GCC-5<sup>1</sup>) countries covered by the Agricultural Trade Office (ATO) in Dubai are a homogeneous group of small nations with population totaling about 10 million, which relies on oil for revenue and on imported food products to meet consumption. Of the five countries at issue, the United Arab Emirates (U.A.E.) is the most significant of these markets and derives sizable revenues from the re-export business for which its commercial center and the Gulf's trade hub, Dubai, has come to be known. Although there has been some pick-up in the extent to which countries in the region import goods directly, Dubai and its efficient sea and air ports and its free trade zone, Jebel Ali, continue to play, in part, the role of a one-stop-shop, the area's warehouse. Also, Dubai placed itself on the world map by hosting/organizing international economic activities and sports events. Moreover, the relative strength of petroleum prices since 1999 has revived local government plans to continue financing new infrastructure development and maintaining significant benefits for national citizens.

Due to the unsuitable climate, limited water resources and poor soil conditions, The GCC-5 states continue to be dependent on imports of food. Their annual food bill is estimated at about \$8 billion, of which an estimates 60 percent is the share of the U.A.E. Total U.S. food exports to the GCC-5 have steadily increased over the past 5 years to reach a record \$446 million FOB basis in 2003, compared to \$299 million in 1998. Consumer-ready products account for about 60 percent of the above U.S. food exports to the GCC-5. In the absence of accurate re-export trade data, officials and trade sources estimate that 50 percent of U.A.E. food imports are channeled out to other neighboring, African and Asian countries. We project a 5% growth rate in the value of consumer food imports in the GCC-5 in 2004, and an increase in the U.S. share of these imports by a similar percentage, if not more, in view of the deployment of U.S. led coalition forces for Iraq's liberation and the lower rates of the U.S. dollar compared to other major currencies. Population growth rates across the region are estimated at 3% annually.

Most of the seafood products consumption is met by local production and imports from Oman, Iran and India, with the exception of some high-end specialized items.

An interesting aspect of the populations in the countries covered by ATO Dubai is that in Kuwait, Qatar and the U.A.E., the local populations are outnumbered by expatriates, the majority of whom are from the Indian subcontinent, and, to a lesser extent, from other Arab countries.

Workers from India, Pakistan, Bangladesh, and Sri Lanka with a smaller number from the Philippines perform all the manual labor and fill a sizable share of the clerical, technical and professional middle class positions as well. In Bahrain and Oman, the local national populations are in the majority. Without a doubt, the expatriate community throughout the GCC influences food product imports. In addition, the fact that a high percentage of the local population travels annually to the West and thousands pursue higher education there exposes these countries consumers to Western and U.S. products. Finally, with the spread of international television via satellites and with the ubiquitous Internet, there is more region-wide advertising that also affects buying decisions.

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<sup>1</sup> Bahrain, Kuwait, Oman, Qatar, Oman and the U.A.E.

**Table 1. U.S. Agricultural Exports to the GCC-5 Countries (Million U.S. Dollars, FOB)**

<i>Country</i>	<i>CY 2001</i>	<i>CY 2002</i>	<i>CY 2003</i>
<i>Bahrain</i>	<i>31.8</i>	<i>30.4</i>	<i>14.8</i>
<i>Kuwait</i>	<i>60.5</i>	<i>57.6</i>	<i>133.7*</i>
<i>Oman</i>	<i>17.1</i>	<i>17.2</i>	<i>15.1</i>
<i>Qatar</i>	<i>11.2</i>	<i>17.8</i>	<i>13.3</i>
<i>U.A.E.</i>	<i>293.3*</i>	<i>291.7</i>	<i>268.9</i>
<i>Total GCC-5</i>	<i>413.9</i>	<i>414.7</i>	<i>445.8*</i>

\* *Record*

<i>Advantages</i>	<i>Challenges</i>
<i>High quality image of U.S. products.</i>	<i>High price of U.S. goods</i>
<i>High regional per capita incomes.</i>	<i>Significant competition from producers in EU, Asia, Australia, New Zealand and, increasingly, from local processors.</i>
<i>Broad familiarity with U.S. culture and desire to emulate it.</i>	<i>Large Indian subcontinent population with easy access to "home grown" products and modest income.</i>
<i>Increasing interest in U.S. products.</i>	<i>Lack of interest from some U.S. producers who are not willing to entertain small orders, and meet local labeling requirements.</i>
<i>Increasing number of tourists to Bahrain, Oman and the U.A.E. in particular; U.S. military presence in Kuwait.</i>	<i>Importers often want to start with small quantities.</i>
<i>Relatively large young population that is open to new foods and tastes.</i>	<i>All finished products must carry production/expiry dating and arrive with ½ product shelf life or more in effect.</i>

**SECTION II. EXPORTER BUSINESS TIPS**

**1. Study each market:** This may seem like obvious advice, but importers often complain that U.S. suppliers are ignorant of local market conditions and requirement. ATO's annual marketing plan (UES), as well as trade data for the GCC-5 can be obtained from the AgExport Services (AGX) Division, FAS/Washington (Fax: 202-690-4374) or via Internet at

<http://www.fas.usda.gov>. Information on ATO Dubai activities as well as related useful links in the United States and the GCC-5 countries may be obtained on the ATO Dubai Home Page on the following URL: <http://www.usembabu.gov.ae/atodubai.htm>

**2. Visit the region:** This is perhaps the single most important step a U.S. company can take, if it is serious about doing business in the Gulf. Personal contact is very important and letters, faxes or e-mails alone will not suffice. If you fail to get orders on the first visit do not give up, follow-up visits are equally important to show your seriousness in the market.

**3. Exhibit at a major U.S. food show:** This is if you cannot make the trip. Make sure to inform potential customers of your participation well in advance. Approximately 40-50 major GCC-5 food importers attend the FMI/NASDA exposition each year, and there is a reasonable contingent that visits the NRA show, private label show and many other shows as well. Many report importing U.S. products as a direct result of their visit.

**4. Target reliable importers:** The AGX Division in FAS/Washington can provide a list of local importers, by product. In addition, ATO Dubai (Fax: 971-4-311-6189; Email: [atodubai@emirates.net.ae](mailto:atodubai@emirates.net.ae)) can provide a directory of GCC-5 companies importing U.S. food products, by product category, brand and country.

**5. Be prepared to discuss product price, preferably on a C&F basis:** Be sure to include the cost of label modifications required to meet local regulations. Production and expiry dates are mandatory and Arabic/English labels or stickers are required, depending upon the country. A thorough review of the food import regulations of the GCC-5 is available from individual country Food and Agricultural Import Regulations and Standards (FAIRS) reports accessible via the FAS/Washington website at: [www.fas.usda.gov/scripts/attacherep/attache\\_lout.asp](http://www.fas.usda.gov/scripts/attacherep/attache_lout.asp).

**6. Bring samples and be prepared to discuss marketing strategy and possible promotional assistance:** Local importers are increasingly looking for assistance such as free samples, advertising, in-store displays and price discounts, particularly for new-to-market products.

**7. Help advertise:** Print advertising is perhaps the most cost effective means of promoting a new product. Television advertising is expensive, but definitely effective if targeting a regional audience.

**8. Participate in the Gulf Food Show (GF):** This show, which is held every two years in Dubai, U.A.E., has grown to be the largest food show in the Middle East. It has become an important tool to penetrate this market. Nearly 70 percent of U.S. exhibitors exhibited in previous GF shows became permanent feature in all GF shows realizing the importance of the event. Please contact ATO Dubai for more details on the February 20-23, 2005 exhibition.

**9. Provide an e-mail address, website URL and/or phone number:** where consumers can contact your company to get answers to questions they may have about your products. This gesture is much appreciated by food safety officials, and serves to underscore your company's attention to customer service.

**10. Be prepared to fill orders smaller than normal, consolidate shipments, or share a shipment with someone:** Local importers tend to purchase small quantities, particularly new-to-market products, until they are sure of the product's market potential and the supplier's staying power.

**11. Be wary of agency agreements:** These agreements have been virtually impossible to terminate without penalty in some of the GCC-5, even if the local company fails to comply. Fortunately a relaxation in agency agreement law is underway in GCC countries, and is not a constraint in the U.A.E. and Oman.

### SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

In 2003, about 60% of the \$446 million in U.S. agricultural, fishery and forest product exports to the GCC-5 were consumer-ready foods and beverages. We estimate that 55% of these exports went directly to food retail, but in the case of the U.A.E., it is estimated that at least forty percent of products imported were re-exported to other GCC countries, some states of the Former Soviet Union, Iran, the Indian subcontinent and East African countries.

The HRI sector consumes about 25% of U.S. consumer-ready foods and beverages, particularly red and poultry meats. Hotel development and the concomitant drive to attract tourists is especially pronounced in Dubai, but is also occurring in the rest of the GCC-5. In consequence, relative to food retail and processing, the HRI sector is growing fastest. The size of the labor camp component of institutional use cannot be ignored, although commodities like frozen chicken and meat and rice versus more highly processed products comprise much of the demand from this subsector. One other aspect of institutional use that was of particular significance in 2003 concerns the servicing of various components of the U.S. Military present in and around the Gulf region. This sector flourished with the latest developments in Iraq and the deployment of large number of forces in some of the Gulf states, particularly Kuwait. In fact, U.S. food and agricultural exports and dairy products to Kuwait more than doubled in 2003 mainly because of the enormous catering needs of the U.S. forces in Kuwait and neighboring Iraq, as well as due to re-exports to the Iraqi market. Products particularly in demand for this latter sector are red meat, poultry meat, dairy products, processed fruits and vegetables, snack food and shell eggs. With an increasing buy-U.S. requirement and a continued presence, U.S. food suppliers and their buyers in the region will continue to do good business with this sizable contingent.

In addition to the industrial-size commodity processing of wheat for flour and an even more overbuilt vegetable oil processing infrastructure, the food processing business is small but growing in the region. We estimate that the food processing sectors in the GCC-5 account for all of the intermediate/semi-processed products the U.S. sells in this region, except for live animals. Of the five countries at issue, the U.A.E. has the most developed food processing facilities followed by Kuwait and Bahrain, with wheat milling, dairy processing, vegetable oil packaging, snack foods manufacturing, juice reconstitution, seafood processing, food canning and other beverages production account for the main product categories for which imported U.S. inputs are used. Beef from India is main ingredient for meat processing, but this is for the low-end of the retail market primarily, so U.S. products would not be used. A new addition to the processing facilities in the U.A.E. is a major soybean crushing facility, which has recently started commissioning. It is hoped that the 4 million metric ton processing capacity plant will lead to a regular sizeable import of U.S. soybean to the U.A.E. Besides local dairies and poultry farms, neither sector is large enough to meet local demand, there is a number of companies that reconstitute dairy products from milk powder, primarily sourced from Europe, New Zealand and Australia. Nevertheless, the region will continue to be constricted by near total dependence on imported raw and intermediately processed materials, but labor is cheap with the Indian subcontinent next door. We expect that an increased number of multinational food companies will look to tie up with local processors where opportunities present themselves.

More details on the food-processing sector in the U.A.E. are available in the Food Processing Sector Gain Report #TC2006, dated June 7, 2002.

**Food Retail Consolidation:** Like many developed countries on the globe, the consolidation in the food retail business in the Gulf continues strongly. Carrefour which now has eight hypermarkets in the U.A.E. and one each in Oman and Qatar and the start of operations in Bahrain, and allegedly in the U.A.E., of a Geant hypermarket by another French retailer, Casino, the business of food retailing is being transformed. In addition to the French invasion, a major Abu Dhabi importer, distributor and retailer, EMKE Group, succeeded in becoming one the pillars of retail industry by introducing the Lulu hypermarkets/megastores in the area. The latter caters to a big sector of the consumers, particularly the Indian expatriates and others of the middle class. Other local consumers such as Spinney's, Choithram and Lal's are also joining the flow by either adding new hypermarkets or by upgrading their existing stores. The consumer cooperatives also joined the retail expansion trend to keep at par with its private competitors, by opening state of the art hypermarkets. That is clearly will lead to a gradual ousting of small and some medium-sized groceries, depending on their locations. A strong percentage of the one-man mom-and-pop shops will survive for the multiple services they provide.

**Tourism's Potential:** Though it doesn't have much to offer in the way of ancient ruins and lures like casino gambling are off limits, the Gulf does have excellent weather at least half of the year, plenty of inviting coastline in the Gulf and Indian Ocean and first-rate hotels and service to visitors. In addition, with the creation of international-circuit golf and tennis tournaments, formula 1 car racing in Bahrain, one of horse-racing's largest purses and a host of trade events that garner broad attendance from the Middle East and beyond. The GCC-5 countries, and Dubai, U.A.E. in particular, are working to make travel to this region more pleasurable.

Overall, ATO Dubai projects growth in U.S. exports to the GCC-5 to increase 5-10 % annually in the coming few years. The latest developments in the Middle East are having a negative impact on the demand for U.S. consumer oriented products in most of the GCC-5 countries.

**Trends in promotional/marketing strategies and tactics:** Promotions and products marketing are essential for these markets in view of the intense competition between countries, companies and brands not only to have, but also maintain a profitable market share. New comers to this market should be prepared to include product marketing and promotions in their plans as nearly none of the importers would be prepared to invest in new-to-market products without the support of the supplier.

The spread of satellite channels made it easier to cross boarder advertising of products. This is still considered an expensive tool. The regular in-store promotions and newspaper ads are still the most commonly used tools in this field.

#### **SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS**

- |                                |                                 |
|--------------------------------|---------------------------------|
| 1. Almonds (shelled)           | 8. Condiments and Sauces        |
| 2. Poultry Meat (frozen parts) | 9. Breakfast Cereals            |
| 3. Fresh Apples& Pears         | 10. Confectionary Products      |
| 4. Snack foods                 | 11. Frozen Vegetables           |
| 5. Beef (chilled & frozen)     | 12. Pulses                      |
| 6. Edible oils                 | 13. Planting Seeds              |
| 7. Cheeses                     | 14. Sweeteners & Beverage Bases |

**SECTION V. KEY CONTACTS AND FURTHER INFORMATION**

U.S. MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE (ATO) - DUBAI  
6020 Dubai Place, DEPARTMENT OF STATE (AGR)  
WASHINGTON, DC 20521-6020

LOCAL MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE  
U.S. CONSULATE GENERAL  
P.O. BOX 9343  
DUBAI, UNITED ARAB EMIRATES

TELEPHONE: 971 4 311-6183 OR 311-6100  
FAX: 971 4 311-6189  
E-MAIL: [atodubai@emirates.net.ae](mailto:atodubai@emirates.net.ae)  
INTERNET HOMEPAGE: [www.usembabu.gov.ae/atodubai.htm](http://www.usembabu.gov.ae/atodubai.htm)

*Pertinent Government Food Import Contacts:*

Bahrain: Dr. Abdullah Ahmad, Head of Food & Water Control Section, Ministry of Health  
Telephone: 973 273-683; Fax: 973/279-253

Kuwait: Mr. Khaled Al-Zahmoul, Manager Imported Food Department  
Kuwait Municipality  
Telephone: 965 481-0972/0963; Fax: 965/481-0939/1358

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